

F. No. 43(1)-Econ/48.

MINISTRY OF FINANCE

(ECONOMY COMMITTEE)

GOVERNMENT OF INDIA

New Delhi, the 25th March 1949.

From

G. S. RAU, Esquire,
Secretary, Economy Committee, *New Delhi.*

To

The Secretary to the Government of India,
Ministry of Finance, *New Delhi.*

Sir,

Report of the Economy Committee on the Ministry of Defence.

I am directed to forward herewith the report (with two spare copies) of the Economy Committee on the Ministry of Defence.

2. The recommendations in the report have been made after detailed discussions with the officers of the Ministry, who have had an opportunity to see the report in the draft. The Ministry have accepted the recommendations contained in the report in so far as they relate to staff.

3. A copy of the report is being sent direct to the Ministry of Defence.

Yours faithfully,
G. S. RAU

THE MINISTRY OF DEFENCE.

According to our terms of reference, expenditure on the Armed Forces, is outside the scope of our examination, as it is not debitable to "Civil Estimates". We have therefore confined ourselves in this report only to the expenditure of the Ministry of Defence proper.

2. The Ministry of Defence is responsible for all matters relating to the defence of the country. The three branches of the Armed Forces—the Army, the Navy and the Air Force—are under its general control and it is one of the important tasks of the Ministry to ensure that the development of the three services is co-ordinated and adequate.

3. With the attainment of independence the responsibilities of the Ministry of Defence have materially altered. Under the previous constitution the three branches of the Armed Forces were under a single Commander-in-Chief, who was also the member-in-charge of the Defence portfolio in the Executive Council. Under the present set-up, formulation of policy and its execution have been separated. While execution devolves on the Commander-in-Chief of the Army, the Navy or the Air Force as the case may be, the Defence Minister is responsible for formulation of policy and co-ordination between the three services. Besides, the Ministry is responsible for many matters of common concern such as the administration of Ordnance Factories, Scientific research in relation to defence, the development of the National Cadet Corps and Welfare of Service personnel.

4. Till the 15th August 1947, the Defence of India was treated as a part of a problem of Empire Defence and the Armed Forces in India worked in close but somewhat subordinate co-ordination of its opposite numbers in His Majesty's Government and the previous organisational set up of the Ministry was intended to suit this end. India has now to rely primarily on her own resources for her Defence. The Indianisation of the Services, the development of the Navy, the Air Force and the technical branches of the Army, development of the country's resources in ordnance stores and the troubles in Kashmir are some of the important problems the Ministry and the Armed Forces Headquarters were called upon to face during the last year. A new and vital role in the affairs of the country has thus to be played by the Defence Ministry and it must be so organised as to be capable of taking decisions on matters of policy with expedition and efficiency. To ensure effective co-ordination and liaison, most of the major questions affecting defence are handled through a system of Committees composed of representatives of the Ministries of Defence, Finance and the three Services. The apex of such Committees is the Defence Committee of the Cabinet, presided over by the Prime Minister.

5. The staff consists of one Secretary, 3 Joint Secretaries, 4 Deputy Secretaries, and 17 Under/Assistant Secretaries. There is in addition, also a Pensions Branch to look after the Pension Claims arising out of the last war which is looked after by 1 Joint Secretary, 4 Deputy Secretaries and 22 Under/Assistant Secretaries. As the functions and responsibilities to be discharged by this Ministry are of a vital character and will continue to grow, we recognise that the Ministry will if anything have to expand

rather than offer scope for any large economies. There are, however, certain minor items of work where some economies can be effected. We suggest that the Casualty Section dealing with the collection of information regarding casualties in the Armed Forces and notifying them to the next of kin should be transferred to the Services Headquarters. The work of the Transfer Office dealing with finding alternative employment for Defence Services refugees should come to a close by 31st March, '49. We recommend that the Ministry should be re-organised as in Annexure I (a).

6. *Pensions Branch*.—This Branch was started in April 1945 to deal with pension claims by the Service personnel disabled in the last war or by relatives of personnel who lost their lives during the war. The claims are first dealt with by the Controllers of Pension Accounts for the three Services and cases which cannot, under the rules, be decided by them are referred to the Ministry. Also appeals preferred against the decisions of the Controllers are examined in the Ministry. During the year 1947-48, the progress made with regard to these disposals of claims in the Accounts Offices as well as in the Pensions Branch of the Ministry was not satisfactory. Since then there has been considerable improvement and by now about three lakhs of pension cases have been disposed of. But there still are about 80,000 cases to be dealt with initially by the Controllers. About 11,000 cases are pending in the Ministry itself and another 17,000 are expected to come up for decision. After the appeals are dealt with by the Ministry a further appeal lies to the three tribunals constituted to deal with such appeals and in certain cases, a further appeal can be lodged before the Central Appellate Tribunal which is the highest appellate authority in this matter.

7. The procedure, which follows closely the example of the United Kingdom, and which is intended to ensure a detailed examination of the claim, and to afford full opportunity to the claimant to plead his case before an independent agency involves considerable delays. It is, however, too late in the day to propose any changes. But, in our opinion, it is essential that this work should be completed as early as possible. It is more than three years since the war terminated and the grant of pensions after such a lapse of time is likely to lose all significance to the claimants to whom actual receipt of cash is bound to be more attractive than the satisfaction that their cases have been dealt with in strict accordance with law. We must also emphasise the fact that the present machinery is costing government large sums of money. The total amount spent on the Pensions Branch upto the end of March 1948 is Rs. 30,81,000 approximately and on the Appellate Tribunal Rs. 9,08,000 (the latter being debitable to the Defence Estimates). These amounts, however, do not take into account the cost of the Financial Advisers attached to the Pensions Branch of the Ministry and the Pensions Offices of the Controllers of Military Accounts. The annual expenditure now being incurred on the Pensions Branch is about Rs. 18,03,700. The disposal is now being pushed forward more vigorously, but even at the present rate, the work is expected to last another two years. We recommend that the Pensions Branch should be wound up at the latest by December 1950. The Pensions Branch itself should, after February 1949, be organised as in annexure 1(b). In making this recommendation we have been guided by the fact that the number of original and 'assessment' cases as

well as the number of entitlement cases after that date should be very much less. The Ministry agree with our view that the staff in this Branch should be under constant review so that it is always adjusted to the actual amount of work coming up to it.

8. In dealing with the Health Ministry we had made the suggestion that the storage and distribution of medical stores should be entrusted to one agency both for the civil and the defence requirements of the country. The Defence Ministry hold the view that such an arrangement will not be practicable. They argue that although the arrangements were supervised by the Director-General, Indian Medical Services, who was practically an officer of the Defence Department, under the strain of the last war it was found that the arrangement did not work. In wartime, there always are special problems but this does not seem to us to be an adequate argument for not having one agency to deal with this work even in peace-time. We, therefore, adhere to our recommendations that the storage and distribution of all medical stores should be entrusted to one agency. Whether such agency should be under the Ministry of Health or the Ministry of Defence can be examined by Government.

9. *Inspection organisation for the Armed Forces.*—At present there is an inspection organisation paid from the Defence Services Estimates for inspecting the supplies purchased by the Director-General, Industry and Supply on behalf of the Armed Forces. The Director-General, Industry and Supply maintains a separate inspectorate of his own to inspect purchases made by him on behalf of Civil Departments. Though expenditure met from the Defence Estimates is outside our terms of reference, we feel that we should bring to the notice of Government that the present arrangement is uneconomical. The arrangement for the inspection of cotton textiles purchased on behalf of the Civil Department and the Armed Forces furnishes a good illustration of the wastefulness of the present system. The Director-General, Industry and Supply, places orders for the purchase of a certain quantity of cloth from the mills at Bombay, partly to meet the needs of Civil Departments and partly to meet the needs of the Defence Services. But for inspection alone, there are two agencies, the Inspecting Organisation of the Director General Industry and Supply to inspect supplies required by Civil Departments, and the inspecting organisation of the Armed Forces for supplies required by the Defence Services. It is understood that the Defence Services consider that the purchases made on their behalf should be inspected by their own officers. We fail to see any force whatever in this argument. Even during the war when the purchases for the Armed Services were on a colossal scale, the inspecting agency of the Director General, Industry and Supply was responsible for inspection of the purchases made for the Armed Forces. There is no reason for introducing a costlier system in peace-time. An inspecting agency's duty is to ensure that the goods delivered are up to specifications and there is no reason why a civilian agency should not be capable of doing this. We recommend that there should be a unified inspection organisation to inspect all purchases made, whether for Civil Departments or for Defence Services, except in respect of specialised purchases like armaments. The organisation should appropriately be under the Director General, Industry and Supply and it would be advantageous if it also contains a number of officers seconded from the services.

10. The savings resulting from our recommendations would amount to

approximately Rs. 3,72,000 per annum, details of which are given in annexure III.

11. The following is a summary of our recommendations:

(a) The Casualty and Estates Sections in the Ministry should be transferred to the Services Headquarters and the Transfer Office should be wound up by the 31st March 1949. The Ministry proper should be re-organised as in Annexure I (a). (Paragraph 5).

(b) The Pensions Branch should be re-organised as in Annexure I (b). The staff in the Branch should be kept constantly under review so as to adjust it to the actual quantum of work in the Branch. (Para 7).

(c) The storage and distribution of medical stores should be entrusted to one common agency catering for both civil and defence requirements of the country. (Para 8).

(d) A unified inspection organisation should be set up under the Director General, Industry and Supply which will be responsible for inspecting all purchases, (except specialised items) made on behalf of the Armed Forces also. (Para 9).

KASTURBHAI LALBHAI, *Chairman.*

B. DAS	}	<i>Members.</i>
S. K. PATIL		
JAIPAL SINGH		
ISHWAR DAYAL.		

P. V. R. RAO,

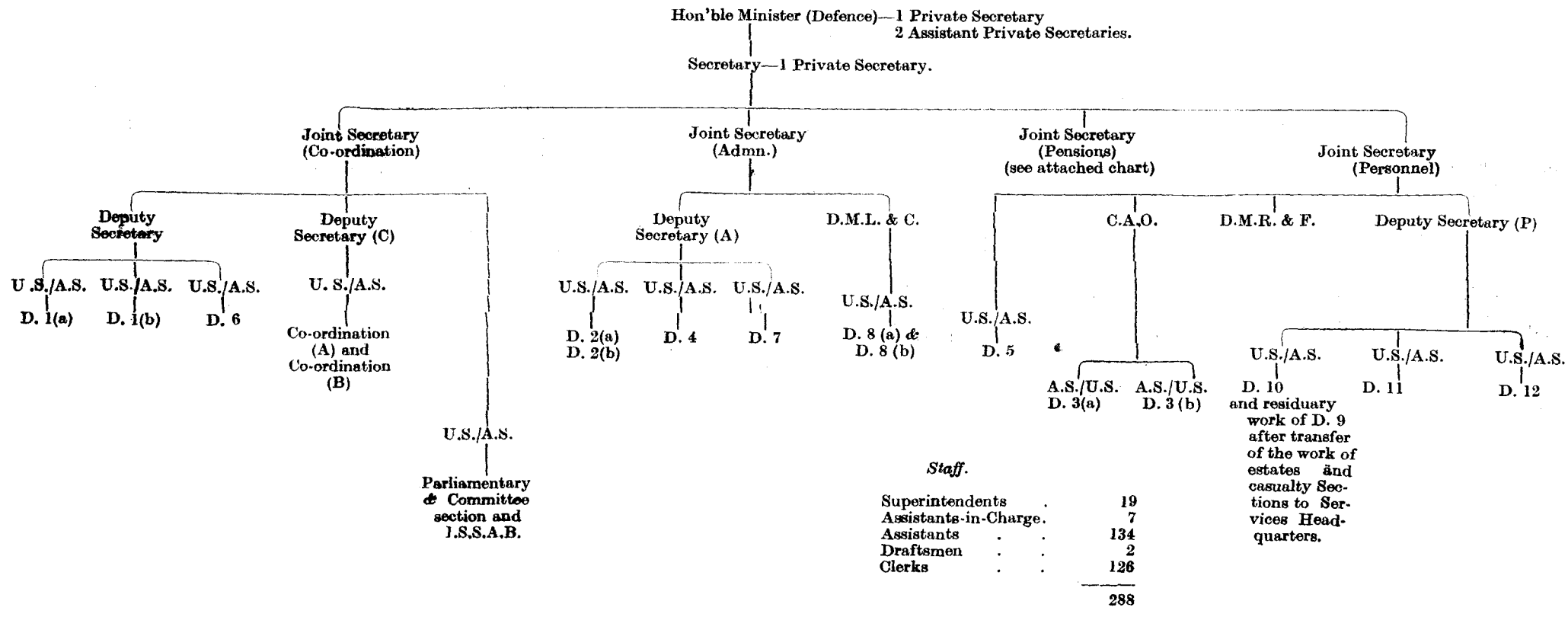
Officer on Special Duty.

G. S. RAU,

Secretary.

New Delhi, dated the 25th March 1949.

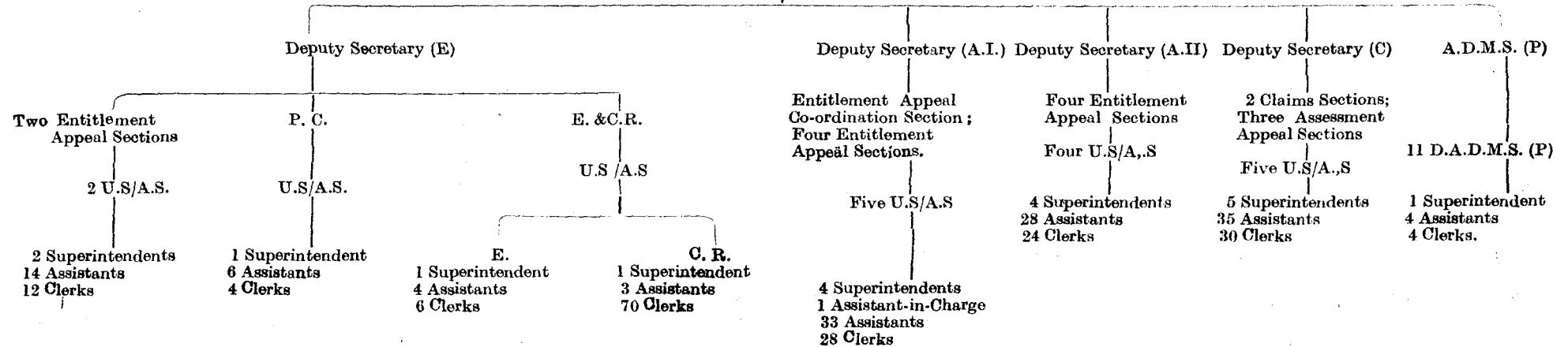
ANNEXURE I (a)

Proposed set-up of the Ministry of Defence

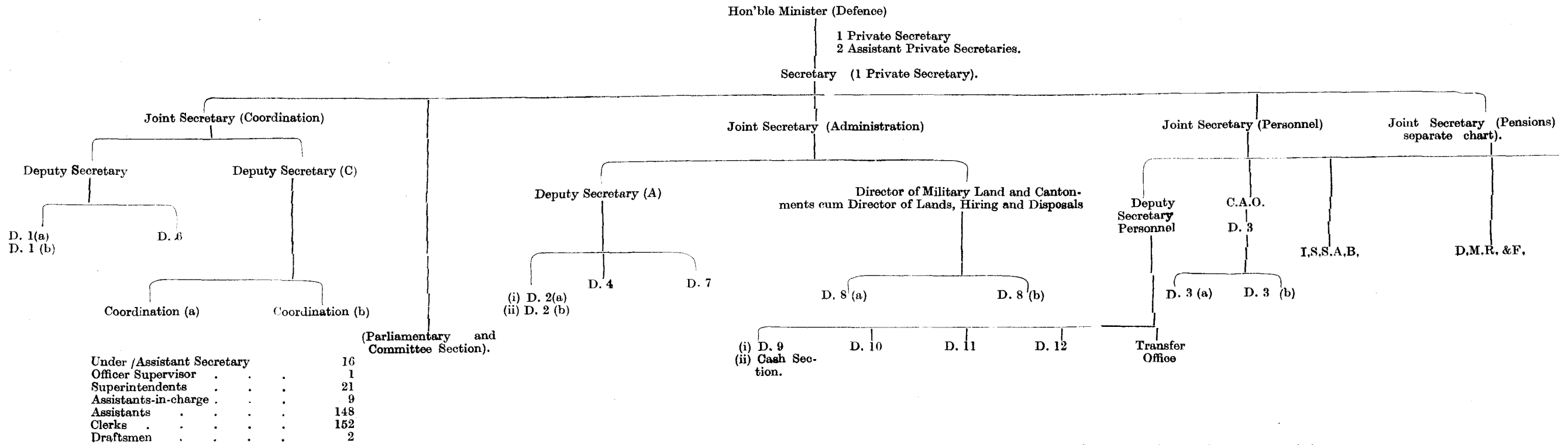
ANNEXURE I (b)

PENSIONS BRANCH

Joint Secretary (Pensions)

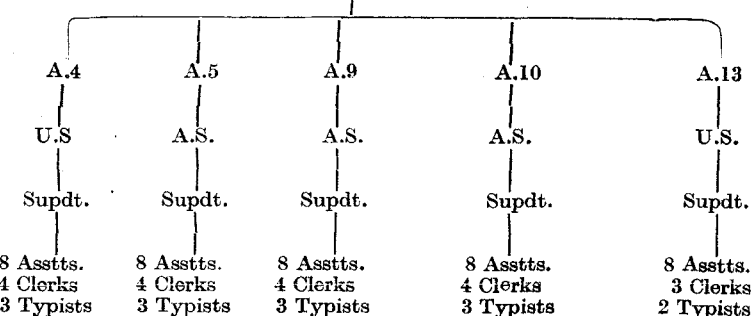
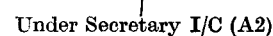


ANNEXURE II (a)
Organisational Chart of Ministry of Defence



NOTE :—In addition there are 1 Superintendent, 1 Superintendent (non-gazetted), 1 Assistant-in-charge, 3 Assistants and 10 Clerks who are stated to be paid from Defence Services Estimates.

(Joint Secretary)



A.D.M.S.(P)

15 D. A.D.M.S. (P).
(at Delhi
and Allaha-
bad)

Superinten-
dent

4 Assistants
2 Clerks
2 Typists

N.B.—In addition to the establishment shown, there exists a provision with in the authorised establishment for —

(a) 14 Leave Reserve Clerks, the distribution of which is as follows :—

Appeals	8
Current	1
'C' Group	1
E	} 4
P.C.	
C.R.	

Total	14
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(b) 2 Assistants and 2 Typists which will be required on the conversion of one of the two claims (C) Sections to "Appeals" (A) Sections

ANNEXURE III (Para. 10)

Savings in the Ministry of Defence consequent on the recommendations of the Economy Committee

Category	Present Strength*	Proposed Strength	Reductions	Approximate annual savings.
				Rs.
<i>Ministry Proper—</i>				
Secretary	1	1	..	
Joint Secretary	3	3	..	
Deputy Secretary	4	4	..	
Chief Administrative Officer	1	1	..	
P.S. to Hon'ble Minister	1	1	..	
Assistant P.S. to Hon'ble Minister	2	2	..	
Under/Asstt. Secretary	16	15	1	
Officer Supervisor	1	..	1	
P.S. to Secretary	1	1	..	
Superintendents	21	19	2	
Total Gazetted	51	47	4	30,000
Assistants-in-Charge	9	7	2	
Assistants	148	134	14	
Draftsmen	2	2	..	
Clerks	152	126	26	
Total non-Gazetted	311	269	42	51,000
GRAND TOTAL	362	316	46	81,000
Allowances Honoraria etc.				35,000
Total Savings				1,16,000

*The existing strength shown above—

- (a) excludes the posts of Director of Military Lands and Cantonments, Director of Military Regulations and Forms, one Superintendent, one Superintendent (non-gazetted), one Assistant-in-Charge, three Assistants and ten Clerks who are stated to be paid from 'Defence Services Estimates' : and
- (b) includes the staff of the Kashmir Permits Section—viz one Superintendent, 2 Assistants and one Clerk sanctioned temporarily for two months.

ANNEXURE III—*contd.*

Category	Present Strength	Proposed Strength	Reductions	Approximate annual savings.
<i>Pensions Branch.—</i>				Rs.
Joint Secretary	1	1	..	
Deputy Secretary	4	4	..	
Under/Asstt. Secretary	20	18	2	
Officer Supervisor	2	..	2	
A.D.M.S. (P)	1	1	..	
D.A.D.M.S. (P)	15	11	4	
Superintendents	23	19	4	
Total Gazetted	66	54	12	97,000
Assistant-in-Charge	1	1	..	
Assistants	160	127	33	
Clerks	214	178	36	
Total non-Gazetted	375	306	69	91,000
Grand total for Pensions Branch	441	360	81	1,88,000
Allowances Honoraria, etc.				68,000
Total savings for the Pensions Branch				2,56,000
Grand total for the Ministry including Pensions Branch	803	676	127	3,72,000

NOTE.—(1) The strength of stenographers and class IV personnel will be fixed separately.

(2) The strength proposed above does not include leave reserves.

Abstract of savings :

	Budget Estimates for 1948-49	Approximate annual savings
	Rs.	Rs.
Ministry of Defence (Proper)	15,15,300	1,16,000
Pensions Branch	18,03,700	2,56,000
Total	33,19,000	3,72,000